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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 14 1951

- NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
2. Comments represent the preliminary views of the Office of Current Intelligence.
3. Marginal letter indications are defined as follows:
- "A" - items indicating Soviet-Communist intentions or capabilities
  - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
  - "C" - other information indicating trends and potential developments

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## SECTION 1 (SOVIET)

"C" EASTERN EUROPE. CZECHOSLOVAKIA. Treaty for Legal Aid in Civil and Criminal Matters Signed with Hungary. According to Prague Radio, the Czechoslovak National Assembly at its meeting on 12 July discussed and unanimously approved a treaty between Czechoslovakia and Hungary on legal aid in civil and criminal matters. The treaty guarantees all citizens of both countries the integrity of their rights and property regardless of which of the two countries they live in. The treaty is characterized as "one of the means of safeguarding lasting world peace and collective security." and a step towards a "new Socialist international law."

COMMENT: This treaty legally abolishes discrimination against Czechoslovak and Hungarian minorities residing in the two countries, but will do little to alleviate the traditional cause of friction between the two nationalities which has plagued the border areas since the end of World War I.

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"C" HUNGARY. Press Deplores Slack Labor Discipline. The lack of labor discipline among Hungarian workers has been severely criticized by the Hungarian newspaper Nepszava. Quoting from a speech given by Vice Premier Rakosi before the Second Party Congress earlier this year in which he stated that one of the main obstacles to the country's development was laxity in work discipline, the Nepszava article complained that Rakosi's words had been insufficiently heeded. Absenteeism was singled out in the article as the most conspicuous example of a lack of labor discipline. As a result of absenteeism, the article pointed out, between 300,000 and 400,000 tons of coal are lost annually and the output of many factories is greatly reduced. The article reminded the Trade Unions that it was their "foremost duty...to mobilize every worker to strengthen discipline."

COMMENT: Absenteeism plagues all economies, be they Communist, Socialist or Capitalist. In Hungary this ever present problem is augmented by the low morale of the workers who is discontented with lowering rations and rising norms.

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"A" YUGOSLAVIA. Aid Program for Yugoslavia Favorably Received. The US, UK and French Ambassadors in Belgrade presented on 12 July to Foreign Minister Kardelj their respective aide-memoires regarding the London economic talks on Yugoslavia. Ambassador Allen reports that Kardelj reacted favorably to the statements and expressed his personal opinion that the Yugoslav Government would give its formal approval within a few days.

COMMENT: The Yugoslav economic program, which has been undertaken to prevent the feared economic collapse of the Tito Government, covers a period up to 1 July 1952. The aid program provides up to \$125,000,000 in outright grants and over-all assistance totalling \$265,000,000. This is intended to meet current deficits and does not include provision to finance capital imports which the three powers believe should be financed by a long-term loan of \$200,000,000 from the IBRD for which the Yugoslavs have

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been negotiating for many months. Approaches will now be made to other NATO powers to obtain their assistance in the aid program.

"B" CURRENT COMMUNISM. Executive Committee of the World Peace Council to Meet in Finland. The Communist press of Helsinki made front page headlines of the announcement that the Executive Committee of the World Peace Council (WPC) will meet there from 20 to 23 July. Representatives of national peace committees are also expected to be present. [REDACTED]

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COMMENT: Since the "peace" movement has surpassed even the old Comintern and the more recent Cominform as an effective vehicle to organize foreign support of Soviet policies, the deliberations of its Executive Committee or Bureau, where the real work of the movement is done, have assumed great importance as accurate forecasts of Soviet attitude and emphasis towards regional and world situations. This Executive Committee meets every two months and subsequent World Peace Council (WPC) meetings or Peace Conferences merely rubber-stamp its conclusions. The Helsinki meeting, on the eve of a major Communist youth event, will bring together many members enroute to the Berlin Festival. It will also determine the tactics to be pursued by Communists everywhere in regard to whatever turn the Korean cease-fire negotiations take, and is also probably preparatory to a Communist Peace Congress which may be held in Mexico. Reasons to believe such a Congress is imminent are found in (1) the elaborate program rubber-stamped by the WPC Berlin meeting in February (after a Geneva meeting of the Bureau in January) included a Peace Conference for Mexico in August, (2) the Chicago Peace Crusade Congress this month made mention of an August meeting in Mexico, and (3) it was recently reported that Joliot-Curie, President of WPC, had called a World Peace Congress in Mexico "the backdoor of the US" for September. [REDACTED]

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SECTION 2 (EASTERN)

"B" NEAR EAST. Iran Closes Its Consulate in Jerusalem. The Iranian Consulate General in Jerusalem officially closed on 7 July. There will be no Iranian representation in Israel. The Iranian special envoy with rank of Minister to Israel and Consul General in Jerusalem has been assigned to the Iranian UN Delegation. The consensus of opinion, according to the US Consulate in Jerusalem, is that this move was made to obtain Arab backing should Iran take the oil dispute to the UN.

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COMMENT: The Arabs have long been critical of Iranian contacts with Israel. While Iran has been inclined to adopt a relatively neutral position on the Israeli-Arab dispute, the present development of intense nationalism coupled with elements of religious fanaticism would help induce the Iranian Government to assume a new attitude toward Israel, aside from any desire to secure the political support of the Arabs.

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"A" IRAN. Increased Communist Activity. Tudeh front groups have scheduled mass demonstrations in Abadan for 15 July. These demonstrations are to commemorate the "Tudeh martyrs" who were killed by British-employed Arab strike breakers during the 1946 general strike. The Tudeh Party paper Mardom is about to launch a campaign for nationalizing the oil of the Bahrein Islands, which are claimed by Iran.

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COMMENT: Several new Communist Front Organizations have appeared in Iran in recent weeks. The Communists in Iran have displayed caution and good judgement in their public activities during the present drive for oil nationalization. The increasing Communist activity may presage an effort to exploit more fully the explosive aspects of the present situation.

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- "A" ETHIOPIA. Communists Linked To Conspiracy To Overthrow Government. The USSR has been definitely linked to the conspiracy to overthrow the Ethiopian Government and to establish a "republic." Total arrests as of 11 July are 43 including two interpreters at the local Russian Institute and several other Ethiopian Communist sympathizers. Ethiopian officials have linked the USSR to the mutiny in early July of sixty members of the Imperial Body Guard Cadet School. The local Communist-controlled Youth League is also involved. Ramifications of the plot are still under investigation and more arrests and possibly sensational developments are expected. 25X1
- [redacted] COMMENT: 25X1
- Rumors of unusual Soviet activities under the direction of its Legation in Addis Ababa, Ethiopia, have been reported on several occasions in the past, [redacted] The Ethiopian Government, 25X1
- resolutely anti-Communist, may be expected to take appropriate action, not only against any of its own subjects involved in conspiracy but will also express itself strongly to the USSR.
- "B" CEYLON. Polish Ships May Carry Ceylonese Rubber to China. On 7 July, the Polish Ocean Line, which operates a shipping service to South Asia [redacted] 25X1
- [redacted] informed its Colombo agent that it was interested in transporting rubber from Ceylon to China. The agent is now soliciting trade. [redacted] COMMENT: The Ceylonese 25X1
- Government has announced that it would permit rubber exports to all countries, but officials have privately indicated their desire to cooperate with the US in preventing the dispatch of strategic materials to China. Furthermore, they have assured US diplomats that problems regarding strategic materials probably would not arise as the Chinese seemed unable to arrange either for payment or for shipping of rubber from Ceylon. Both payment and shipping difficulties now seem well on their way to solution since the Bank of Ceylon has expressed its willingness to open a Chinese letter of credit for 100 million rupees. [redacted] and the 25X1
- Polish Ocean Line apparently has vessels available for the China run. The Ceylonese Government may shortly be forced to take official or unofficial steps to control rubber exports if its representatives are to live up to their reported desire to cooperate with the United States.
- "B" CHINA. Soviets Train Chinese Cadres in Economic Warfare. An air force message from Tokyo cites a report, [redacted] that an "International 25X1
- Economic Warfare Department" operates a training center near Peiping with a Soviet serving as chief instructor. The mission of graduates is to set up trade organizations, semi-overt in countries which recognize the Chinese Communist regime and underground in other countries. In the latter areas, the graduates are to develop the smuggling trade and try to purchase strategic goods from the US through accredited buyers. Two classes have already graduated, the first of 400 going to Hong Kong in January 1951, the second of 600 to Calcutta and Prague. [redacted] 25X1

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COMMENT: The Chinese Communists are known to be training cadres to serve in all phases of political and economic activity, and reports of training for economic warfare are considered plausible although unconfirmed. Hong Kong press reports in January (unconfirmed, however, [redacted] despite the US Consul General's efforts to secure corroborative evidence) noted that the Communists had sent an economic mission to the Colony to direct the activities of a new foreign trade agency. [redacted]

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"C"

YU Ta-wei's Washington Appointment Confirmed. The National Government officially announced 12 July that General YU Ta-wei, former minister of communications, has been appointed special assistant to Ambassador Wellington KOO in Washington where he will assist "in matters relating to economic and military aid and government procurement". YU was concurrently named vice-chairman of the Council for United States Aid (CUSA), an all-Chinese body concerned with Nationalist interests in Marshall aid to Formosa. [redacted]

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COMMENT: This appointment has been rumored over the past several weeks [redacted] YU is expected shortly to proceed to Washington to assume his new duties.

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"C" KOREA. Communist POW's Recite Lowering Morale. Far East Command reports that prisoner interrogations held in early June indicate that there has been an increase in the number of comments from prisoners indicating loss of faith in their leaders, in the Communist cause, and in Communist victory. This has been more true, however, among Chinese than among North Korean prisoners. An important factor in the lowering of confidence is the failure of Communist leaders to live up to promises of artillery and air support. Reaction against "human-sea" tactics, incompetent leadership, and false propaganda were also contributing factors.

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"C" Anti-Cease-fire Agitation is Resumed. Ambassador Muccio reports that, after a silence of a few days, anti-cess-fire editorials have been resumed in the South Korean press. The general editorial themes are: (1) no cease-fire on the 38th; (2) no cease-fire without unification; and (3) don't trust the Communists who in the cease-fire talks have switched from a military to a political offensive. The Government-inspired anti-cess-fire campaign has also recommenced with mass demonstrations in the principal cities.

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"B" Possible Appearance of CCF in Extreme Eastern Sector. Far East Command reports the presence of Chinese Communist elements in forward areas of the easternmost sector which have heretofore been solely occupied by North Koreans. An ROK soldier in the Kaesong area who escaped from enemy hands reported that his captors included Chinese Communist troops. Agents and other POW's, at the same time, report the movement of CCF reconnaissance elements in the Schwa and Imdang areas of the eastern sector and the anticipation of civilian elements in these areas of the arrival of Chinese units.

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COMMENT: Allocation of enemy command responsibilities is believed to have placed operations on the eastern sector of the front and security of the Korean east coast below Wonsan, in the hands of North Korean forces. For a time prior to and after the May offensive, however, CCF forces along the east coast utilized routes of attack and withdrawal east of the Hwachon Reservoir. Recent POW reports have mentioned that the next offensive in the eastern sector would be a combined CCF-NK operation. Identification of CCF units in the areas mentioned in the above FEC report would indicate the forward deployment of forces for such an offensive.

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## SECTION 3 (WESTERN)

"B" GERMANY. German Support of Allied Stand in Berlin Trade Crisis Seen Weakening. US officials in Berlin cite evidence of weakening local German support of the Allied position in the current Soviet restrictions, which have resulted in a choking-off of much of West Berlin's export trade. Certain large firms and many smaller firms in West Berlin, hard hit by the restrictions, have been ignoring West German and Allied directives and complying with Soviet demands. The French Commandant in Berlin feels that the Allied determination to take a firm stand against the USSR on this issue (and refuse further negotiations on the problem till the USSR ceases its restrictions completely) may be a political blunder, although he acknowledges that we have gone too far now to back down. He feels that the West Berliners may not support us and that no one has indicated what we will do if West Berlin trade is stopped and our countermeasures, including the proposed move to hold up implementation of the new interzonal trade pact between East and West Germany, fail to cause the USSR to back down. He adds that the USSR could afford one or two year's delay in the East German Five Year Plan if its objective to force the Allies out of Berlin is achieved. The American and British Commandants still emphasize, however, that our previous firm measures in Berlin have resulted in Soviet capitulation.

COMMENT: The dragging out of the current Soviet restrictions appears to have succeeded in further dividing the Allies and West Berliners on this issue. Shortly after initiating the restrictions, the Soviet authorities encouraged West Berlin firms to by-pass Allied offices and deal directly with Soviet authorities. This is the first concrete evidence that large numbers of firms have felt the squeeze sufficiently to follow this course. French authorities, in discussing the restrictions, have from the beginning generally shown a tendency to avoid a real showdown with the USSR on the issue, and to find a compromise.

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"B" ITALY-JAPAN. Italians Protest Exclusion from Japanese Peace Treaty. The Italian Foreign Office has expressed great concern over the public announcement that Italy will not be allowed to sign the Japanese peace treaty. It points out that the nature and method of handling this announcement will have a disastrous effect on Italian public opinion, particularly sensitive at this time over the Trieste issue. A serious blow has been dealt to the prestige of the Italian Government which has sought to develop the idea that Italy has worked its way back, especially by its staunch support of NATO, and has been fully accepted in the family of nations. COMMENT: As a cobelligerent, Italy declared war against Japan on 15 July 1945. The Italian

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Government will be hard put to explain Italian exclusion from the Japanese peace treaty, in view of the fact that many of the Allies did not declare war against the Japanese until a very late date. Even pro-Western elements have chafed at what they regard as the inferior treatment given Italy in Western councils. This event will be an additional factor tending to strengthen nationalistic, particularly neo-fascist, groups in the provincial and municipal elections in the fall. From the Japanese viewpoint, the participation of a former Axis partner would be somewhat incongruous and would be opposed by Japanese public opinion.

"B"

Communists Publicize US Aggressiveness Despite Kaesong Negotiations. Official comment of the Communist Party (PCI) on developments subsequent to the Malik proposal is marked by restraint. However, the party press slants news on the Kaesong negotiations in North Korea to show that (1) the continued bombing by US forces of Korean cities is "motivated by the desire to intimidate", (2) American soldiers and US citizens are evincing hostility to war, (3) statements by Bradley, Vandenberg, and Finletter that the US must "multiply its forces for war preparedness" prove the American Government unwilling to renounce its policy of aggression, and (4) the "continuance of massacres to the last moment" casts serious doubts on the "good faith of the aggressors." [REDACTED]

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COMMENT: The restrained tone of the PCI leadership's comment is undoubtedly due to instructions from Moscow. Meanwhile, the party press continues to exploit Korean developments, particularly the "aggressive" intentions of the US, in an attempt to increase the popular appeal of the Communist peace campaign. This line suggests that the PCI is seeking to prepare the Italian public for a possible resumption of hostilities by the North Korean forces.

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"B" UNITED KINGDOM. Britain Seeks UN Action in Suez Dispute. The UK is anxious to have decisive Security Council action on the proposed resolution calling on Egypt to lift restrictions on the use of the Suez Canal, and believes US co-sponsorship of this resolution is vital to secure maximum results. Public opinion is aroused by the Egyptian detention of the British ship "Empire Roach" in the Gulf of Aqaba. Foreign Secretary Morrison was subjected to heavy criticism from both parties in the House of Commons for the Government's weak handling of the situation. [REDACTED]

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[REDACTED] COMMENT: Widespread public and Parliamentary dissatisfaction over the state of affairs in the Middle East puts the Government under pressure to produce some sort of solution in the Suez dispute, which has been a constant irritant for over two years. Furthermore, the Iranian situation increases the British need for access to the Haifa refinery through the Canal.

"C" Britain Intensifies Africa-Middle East Defense Planning in Conjunction with African and Colonial Powers. Britain and South Africa have invited Egypt and the other African and colonial powers (France, Belgium, Spain, Portugal, Ethiopia, Liberia, the Anglo-Egyptian Sudan) to attend a conference in Pretoria to discuss African defense [REDACTED]

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The UK Ambassador in Cairo and the South African Charge d'Affaires are believed to have informed the Egyptian Foreign Minister of the conclusions reached at the June conference of Commonwealth Defense Ministers in London, and also of the results of the talks dealing with Suez defense held recently in Fayid between the South African military chiefs and the Commander-in-Chief of British forces in the Middle East. [REDACTED]

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[REDACTED] COMMENT: Britain has evidently decided to proceed as rapidly as possible with long standing plans to develop interlocking defense systems in the Middle East and Africa. The Iranian situation has created a serious threat to the entire UK position in the Middle East, and since Britain has so far failed to interest India and Pakistan in a security plan for South Asia, it is turning greater attention to the African picture as an essential part of the larger area defense pattern.

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"C" GUATEMALA. Anti-Communist Riots Viewed as a Reactionary Campaign Against Government. The Guatemalan government, the pro-government political parties, and the Guatemalan Confederation of Labor have condemned the riots of 11-12 July as part of a reactionary campaign against the legally established institutions of the country. The Office of the President charges that "conveniently placed agents tried to convince the public of the false charge that the Government was attacking the Catholic religion" and that "despite the fact

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the government had resolved the dispute...the subversive agitators intensified their disorderly acts, which culminated in an attack on the Civil Guard." The pro-Government political parties issued a statement denying an anti-religious campaign, and declaring that they will oppose attempts to spread disturbances, conspiracies, murders, violence, and propaganda to impair the stability of the government. The Confederation of Labor denounced the "maneuvers of imperialism, the creole reactionaries, and the fascists who would destroy the regime of liberty and democracy now existing in the country".

[redacted] COMMENT: The riots appear to have been spontaneous rather than premeditated, and are indicative of the widespread, but poorly organized, opposition to the pro-Communist tendencies and leftist policies of the Arbenz administration. The immediate political influence of the leftist political parties and labor unions has probably been enhanced by the measures taken by the government to suppress the demonstrations, which include suspension of important constitutional guarantees.

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"C" PANAMA. Communist-Organized Demonstration. On 10 July a Communist-organized march of three thousand people took place in Panama City as a protest against the high cost of living. The head of the American-owned Power and Light Company was hanged in effigy. Speakers demanded action by President Arosemena to lower the cost of living. The crowd was orderly and no incidents occurred. This demonstration again proves the ability of the Communist People's Party to associate itself with and direct a popular movement.

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CENTRAL INTELLIGENCE AGENCY

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DAILY DIGEST SUPPLEMENT

JUL 14 1951



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14 July 1951

SECTION 2 (EASTERN)

"B" IRAN. Prime Minister, Despite Some Opposition, Retains Control of Government. The US Embassy has received indications from several sources that the present Iranian Government may have been considerably weakened by developments in the past two weeks. Parliament is becoming restive as a result of its realization that the situation has deteriorated steadily. The financial plight, the confusion and inefficiency, and the demagogic tactics of the government have annoyed various members of Parliament. The Cabinet is dissatisfied with the Prime Minister's penchant for making decisions without consulting them. The Press has also developed a more critical attitude. Mossadeq meanwhile has announced that a group of physicians will check his physical condition. This has resulted in a spate of rumors on his resignation and a possible successor. The US Ambassador, while recognizing all these factors as indicative of a certain weakness in the present government, concludes that Mossadeq still has very strong popular support and that no group in Iran has shown a willingness to assume responsibility for any modification of the oil nationalization which is the basis of the Prime Minister's power. The Ambassador believes that for the present Mossadeq can continue in power.

"A" INDIA. Communist Slow-down In Unloading Grain at Bombay Port. The US Embassy, New Delhi, has been reliably informed in strict confidence that Communists are causing a 20% slow-down among casual laborers engaged in unloading food grains at Bombay. The GOI intends to arrest the two men believed to be instigating the slow-down, thereby hoping to effect the discharge of the record volume of food grain arrivals.  COMMENT: 25X1  
The largest union in Bombay port is Communist-dominated and has a membership of about one-eighth of the total port workers.

The slow-down illustrates the extreme vulnerability of the Indian transportation system to the disruptive efforts of even a very few people. Despite the fact that Indian Communists are now badly disorganized, coordination of such an effort as this with a possibly non-Communist railway strike  25X1

could seriously disrupt the whole Indian economy. 25X1  
Infiltration of dock, maritime and port personnel has been a major Communist objective since 1949. It has not been particularly successful in India although Communists were able to cause a port slow-down in Calcutta about the

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end of 1950. Disruption of world-wide efforts to feed the Indian people would produce the unrest that is a standard Communist objective in all parts of the world.

"B" PHILIPPINES. Philippines May Propose a Pacific Pact Again. A close relative of President Quirino has confidentially informed the US State Department that the Philippine Government is seriously considering reviving the proposal for a Pacific Pact. He said that President Sukarno of Indonesia had reacted favorably to the idea during his recent visit to Manila, and indicated Sukarno's belief that he could persuade Nehru to participate in the project. The Filipino also revealed that Quirino had dispatched unofficial emissaries to Indonesia, Burma and Thailand to discuss the matter and that the responses had been favorable. He was told by State Department officials that the US unreservedly approved any regional groupings of non-Communist governments dedicated to the welfare of their peoples and the objectives of the free world, but was cautioned that the organization must be purely indigenous in order to avoid any suspicion that it was undertaken upon American initiative. [REDACTED] COMMENT:

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At President Quirino's invitation, representatives from most South and Southeast Asian countries met at Baguio in the Philippines a year ago to discuss the possibilities of a Pacific Pact. The only tangible results were agreements to consult with each other on matters of mutual interest and to develop closer economic and cultural relations.

India is interested in developing regional pacts in Asia but its whole-hearted participation is only obtainable if it can be assured of a preeminent position. Pakistan, while concerned over regional security, recently has been promoting a Near Eastern Moslem alliance. Indonesia, Burma, and Thailand would probably be receptive to a Pact proposal.

"C" JAPAN/PHILIPPINES. US Rejects Further Concessions to the Philippines on Japanese Reparation. Ambassador Dulles has informed Ambassador Cowen in Manila that the US has met the Philippine viewpoint on Japanese reparations as far as is possible, already having gone further than the principal Allied Powers went to meet the comparable position of Albania, Ethiopia, Greece and Yugoslavia under the Italian peace treaty. Pointing out that five years of occupation experience had firmly convinced the US that Japan could not pay reparations, Dulles states it was with great reluctance and doubt that the US altered its original position on reparations to facilitate the position of the Philippine Government. The Ambassador believes that the Philippine Government is gravely at fault in not having informed its public opinion about the great efforts made by the US to meet the Philippine situation, and states that "we are not afraid to submit our position to the judgment of US public opinion if unhappily that should become necessary."

Upon receipt of Dulles' message Ambassador Cowen held a meeting with Foreign Minister Romulo and other officials concerned with the reparations problem. Subsequently, Romulo stated that President Quirino remained obdurate in his refusal to sign the treaty in its present form. [REDACTED]

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"C" INDOCHINA. Associated States May Sign Jap Peace Treaty. The French Government and the US State Department are agreed that Vietnam, Laos and Cambodia are qualified to sign the Japanese peace treaty as the constitutional heirs of a power (France) at war with Japan. The Department further believes that participation of the Associated States would contribute to their international reputation as sovereign and independent members of the French Union. However, the Department is disinclined to include the Associated States if their inclusion should result in the refusal of other Asian states to sign the Japanese treaty with them. [REDACTED] COMMENT: Several Asian states have not yet recognized the Associated States of Indochina which they regard as French puppets. India, in particular, would be extremely reluctant to join its signature to those of the three states. Overriding political considerations (e.g., the maintenance of good Indian-Japanese relations) might induce India to accept the inclusion of the Associated States, but not without a sense of having been made the victim of Western duplicity. The Indonesian official who is responsible for negotiations on the Japanese treaty is of the opinion that bringing the Associated States into the picture might strongly endanger Indonesian support of the treaty. Ambassador Cochran in Djakarta concurs.

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"C" MAAG Taipei Envisions Repatriation of Nationalist Internees. General Chase, chief of MAAG Taipei, states that the Chinese Navy is in a position to transport to Formosa the 27,000 Chinese Nationalist troops now interned in Indochina. Chinese Nationalist headquarters states that it can equip and arm with small arms 15,000 of these troops. [REDACTED] COMMENT: The French Government was recently queried on this question in connection with the forthcoming visit to Indochina of General Chase. The French confirmed their adherence to a policy of not permitting repatriation of the Chinese troops. The French would be even more reluctant to provide the Chinese Communists with a pretext to invade Indochina—which they believe repatriation of the internees might provide—in view of the possibility of a Korean settlement and the consequently increased capabilities of the Chinese Communists for action elsewhere.

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